

SERVED: May 15, 2002

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**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

Issued by the Department of Transportation
on the 14th day of May, 2002

Applications of

AERODYNAMICS, INC.

for certificates of public convenience and necessity
under 49 U.S.C. 41102 to engage in interstate and
foreign charter air transportation of persons,
property and mail

**Dockets OST-01-10985-9
OST-01-10986-4**

**ORDER TO SHOW CAUSE
PROPOSING ISSUANCE OF CERTIFICATE AUTHORITY**

Summary

By this order, we tentatively find that Aerodynamics, Inc. (ADI) is a citizen of the United States and is fit, willing, and able to provide interstate and foreign charter air transportation of persons, property and mail as a certificated air carrier.

Background

Section 41102 of Title 49 of the United States Code (Transportation) (the "Statute") directs us to determine whether applicants for certificate authority to provide interstate and foreign charter air transportation are "fit, willing, and able" to perform such transportation, and to comply with the Statute and the regulations and requirements of the Department. In making fitness findings, the Department uses a three-part test that reconciles the Airline Deregulation Act's liberal entry policy with Congress' concern for operational safety and consumer protection. The three areas of inquiry that must be addressed in order to determine a company's fitness are whether the applicant (1) will have the managerial skills and technical ability to conduct the proposed operations; (2) will have access to financial resources sufficient to commence operations without posing an undue risk to consumers; and (3) will comply with the Statute and regulations imposed by Federal and State agencies. We must also find that the applicant is a U.S. citizen.

On November 8, 2001, ADI filed applications in Dockets OST-01-10985 and OST-01-10986 for certificates to provide interstate and foreign charter air transportation of persons,

property and mail pursuant to 49 U.S.C. 41102.¹ ADI accompanied its applications with the information required by section 204.3 of our regulations.²

No answers opposing ADI's applications were filed and no special issues regarding the applicant have come to our attention. Under these circumstances, we propose to decide the issue of the applicant's fitness on the basis of the written record, and we tentatively conclude that ADI is a U.S. citizen and is fit, willing, and able to operate its proposed interstate and foreign charter passenger service. However, we will give interested persons an opportunity to show cause why we should not adopt as final the tentative findings and conclusions stated herein.

FITNESS

The Company

ADI, an air taxi operator, was incorporated in October 1959 under the laws of the State of Michigan. ADI's principal place of business is at the Oakland County International Airport in Waterford, Michigan. ADI was involved originally in aircraft sales as a Piper Aircraft distributor. It started its air taxi operation in February 1989 and continues to be engaged in aircraft sales and service, as well as on-demand air taxi operations.³ In addition to holding an FAA Part 135 Air Carrier Certificate it also holds an FAA Part 145 Repair Station Certificate. ADI proposes to expand into corporate shuttle and on-demand air charter services utilizing a Boeing 737-247 aircraft configured for 44 seats. ADI currently has 9 aircraft on its operations specifications, which range in size from 6 to 13 seats. Mr. Frank P. Macartney holds 75.76 percent of the voting common stock. All of the remaining shareholders hold senior management positions with ADI. At this time, Mr. Macartney is the only shareholder owning an interest of 10 percent or more.

Managerial Competence

Mr. Frank P. Macartney, the carrier's primary shareholder, serves as ADI's Chairman and Chief Executive Officer. He has held those positions since he founded the company in 1959. Mr. Maccartney served as a pilot with the U.S. Air Force from 1952 to 1957. Prior to joining the Air Force, he attended Yale University. From 1958 to 1959, he was a sales manager for Robbins Aviation, an Aero Commander distributor. From 1957 to 1959, he attended GMI Institute, a Management and Engineering School. He holds an FAA-issued commercial pilot's license and has accumulated over 10,000 flight hours.

Ms. Cheryl L. Minshall has held the positions of ADI's President and Chief Operating Officer since July 1992. From 1973 to 1976, she studied business administration at Wayne State University. In November 1978, she joined ADI as a Sales Secretary. Since that

¹ On November 8, 2001, and February 28, 2002, ADI filed motions to withhold certain information filed in Docket OST-01-10985. On April 11, 2002, ADI withdrew both motions in their entirety. Thus, we will dismiss the motions as moot.

² Information supplementing ADI's applications was filed on January 4 and February 28, 2002.

³ ADI has no separate operating divisions or subsidiaries with the exception of Jet Alliance, a wholly-owned subsidiary which was formed in 1996 for potential expansion into an additional industry segment. Jet Alliance is inactive and has conducted no business to date.

time, she has been promoted to increasingly responsible positions including Office Manager, Charter Manager, and Vice President of Administration.

Mr. Robert LeMay has served since 1989 as ADI's Vice President, General Manager and Director of Maintenance (Part 135). Mr. LeMay received his aviation training while serving in the U.S. Air Force as a Jet Engine Technician from 1966 to 1970. After leaving the Air Force, he began employment with ADI where he has served as Mechanic, Foreman and Operations Manager. He holds an FAA-issued Airframe and Powerplant Mechanic certificate.

Mr. Robert J. Rufli has served as ADI's Executive Director of Flight Operations since August 2001. He received his initial pilot training at Winchester Aviation in 1974. From September 1975 to June 1979, he attended Florida Institute of Technology and received a Bachelor of Science degree in Aviation Management. His management experience began in May 1981 when he assumed the position of Director of Operations with Winchester Aviation. In August 1983, he assumed the position of Chief Pilot with PDQ Aviation, where he served until joining ADI in June 1988 as Director of Operations. In August 2001, he was promoted to Executive Director of Flight Operations. He holds an Airline Transport Pilot certificate and has accumulated over 8,600 flight hours.

Mr. Richard D. Appleman has served as ADI's Chief Financial Officer since 1996. After receiving a Master of Business Administration from Michigan State University, he served as Chief Financial Officer with The Kirlin Company between 1985 and 1989. Prior to joining ADI, he was employed from 1989 to 1996 as Auditor Manager with Ernst & Young.

Mr. Thomas Jones joined ADI in August 2001 as its Director of Operations. Mr. Jones received his initial pilot training at Palos Verdes Aviation in 1964. After receiving a degree in accounting from Drake University in Iowa, he was employed by KPMG Peat Marwick from 1964-1966. In 1966, he began his aviation career as First Officer with Zantop Air Transport. From 1970 to 1978, he held financial-related management positions with International Paper, Robert Bosch Corporation, and Wallace Computer Services. He subsequently joined Zantop International Airlines where he held positions ranging from Captain to Flight Manager. Prior to joining ADI in 2001, he held positions ranging from Captain to Director of Operations with Midway Airlines, Reno Air, American International Airways, and Discovery Airlines. Mr. Jones holds an FAA Airline Transport Pilot certificate and has accumulated over 12,000 flight hours.

Mr. Kim M. Beneteau has served as ADI's Chief Pilot since January 2000. He began his aviation career as a mechanic for Zantop International Airlines where he was employed from June 1973 to June 1975. During that time, he also attended the Detroit Institute of Aeronautics. From June 1975 to May 1990, Mr. Beneteau was involved primarily in the trucking industry. From September 1990 to March 1991, he attended Flight Safety Academy in Vero Beach, Florida. He was subsequently self employed as a flight instructor (March 1991-February 1992) and served as a flight instructor for Aviation Center (February 1992-August 1993). From August 1993 to May 1996, he served as a Captain

with Murray Aviation. Mr. Beneteau holds an FAA Airline Transport Pilot certificate and has accumulated over 6,500 flight hours.

Mr. Eric Canales, ADI's Director of Maintenance, has served in that position since October 2001. He attended Kansas Technical Institute from August 1985 to May 1987 where he received an Associate Degree in Aerospace Technologies. He also holds a Bachelor of Science degree in Corporate Management from the University of Toledo. He served on active duty and as a reservist with the U.S. Air Force from May 1988 to May 2000. He subsequently served as a mechanic with JJ&W Aircraft Services (September 1993-May 1994), Corporate Jets Management (May 1994-December 1994) and American International Airways (December 1994-May 1996). From May 1996 until joining ADI in October 2001, he served as an Outstation Manager with Kitty Hawk Air Cargo. He holds an FAA-issued Airframe and Powerplant Mechanic certificate.

Mr. Michael Ouellette joined ADI in August 2001 as Director of Safety. He holds a Bachelor of Science degree in Aviation Science from Western Michigan University. He began his aviation career in February 1994 as a Customer Service Agent with Comair Airlines. From April 1997 to April 1998, he was a crew scheduler with American International Airways. Mr. Ouellette served with Daimler Chrysler as a Flight Coordinator from April 1998 to May 2000, and as a Manager of Dispatch with Bombardier Aerospace-FlexJet from May 2000 until joining ADI. He holds a certificate from the FAA as a Licensed Aircraft Dispatcher.

Mr. Aubrey Scroggins, ADI's Chief Inspector since November 2001, began his aviation career in the U.S. Air Force where he served from June 1981 to June 1992. He received additional communication/navigation training from August 1992 to June 1993 while a member of the Tennessee Air National Guard. From June 1993 to December 1993, he was employed as an Avionics Technician with DynCorp. He was a Lead Avionics Installer with Midcoast Aviation from March 1994 to November 1994. Starting in November 1994, he held various positions with USA Jet Airlines including Manager of Quality Control, Assistant Director of Quality Control and Engine Program Manager. Prior to joining ADI, he served with Airborne Express as Senior Aircraft Maintenance Training Instructor. He holds an FAA-issued Airframe and Powerplant Mechanic certificate.

In view of the experience and background of the applicant's key personnel, we tentatively conclude that ADI has demonstrated that it has the management skills and technical ability to conduct its proposed service.⁴

Operating Proposal and Financial Condition

If granted the certificate authority it seeks, ADI proposes a corporate shuttle and on-demand air charter service utilizing a 44-seat executive-configured B-737 aircraft. Its plans

⁴ Before authorizing a carrier to conduct air transportation operations, the FAA also evaluates certain of the carrier's key personnel with respect to the minimum qualifications for those positions as prescribed in the Federal Aviation Regulations. The FAA's evaluation of these key personnel provides an added practical and in-person test of the skills and technical ability of these individuals.

also include offering service to general aviation airports which lack commercial service. ADI states that its projection of 1,205 block hours for the first year of operations is conservative and reflects an already established corporate shuttle between Saginaw, Michigan, and Lake Jackson, Texas. Additionally, it anticipates *ad hoc* weekend charters from its base of operations primarily to Teterboro, Orlando and Toronto/Ontario.

In support of its financial fitness, ADI provided historic income statements and balance sheets for its fiscal years ended September 30, 1998, 1999, 2000, and 2001 as well as for the first quarter of its 2002 fiscal year (that is, the quarter ended December 31, 2001). These statements show that, overall, ADI is in sound financial condition. Specifically, as of September 30, 2001, ADI had current assets of \$6.3 million, total assets of \$7.9 million, current liabilities of \$5.9 million and long-term liabilities of only \$22,000, giving it positive working capital of approximately \$400,000 and net stockholders' equity of \$2.0 million.⁵ While experiencing a slight loss on its first quarter fiscal year 2002 operations,⁶ ADI's balance sheet as of December 31, 2001, shows that the company continues to be healthy overall with current assets of \$5.6 million, total assets of \$7.2 million, current liabilities of \$5.2 million (for positive working capital of \$400,000), long term liabilities of \$148,000, and net stockholders' equity of \$1.8 million.

In its application, ADI estimated that it would incur \$1.4 million in pre-operating expenses for its planned B-737 operations. ADI is paying these expenses as incurred using revenues generated by its on-going air taxi, fixed-base, and other operations. Therefore, it should have only minor unpaid pre-operating expenses remaining when it commences the proposed B-737 operations. ADI projects that it will incur \$5.6 million in total operating expenses for its first year of certificated operations. Thus, in addition to funds needed to cover any unpaid pre-operating expenses, the carrier will require a working capital reserve of \$1.4 million to meet the Department's financial fitness criteria.⁷

In support of its plans to undertake the proposed expansion, ADI provided verification that it has established a \$3.5 million line-of-credit with Comerica Bank with \$1.7 million remaining available for use by ADI. Furthermore, as of December 31, 2001, ADI had working capital of approximately \$400,000, giving ADI approximately \$2.1 million in available funds.

In sum, ADI states that its combination of internal and external financial resources indicates clearly that it is capable of financing its expansion into B-737 charter operations.

⁵ For the twelve-months ended September 30, 2001, ADI earned a modest profit of \$147,000 on \$28.4 million in revenues.

⁶ During the quarter ended December 31, 2001, ADI lost \$166,000 on revenues of \$6.5 million.

⁷ To meet the Department's financial fitness standard, an applicant should have access to financial resources sufficient to cover its pre-operating expenses and the expenses that are reasonably projected to be incurred during three months of normal certificated operations. Because projected expenses during the first several months of air transportation services frequently do not include all costs that will be incurred during a "normal" period of operations, it is our practice to base our three-month test on one-quarter of the first year's operating cost forecast. Projected revenues may not be used to offset any of this amount.

Based on our review of this information, we tentatively conclude that ADI has sufficient financial resources available to enable it to commence its proposed charter passenger operations without posing an undue risk to consumers or their funds. However, prior to making effective any certificate authority that may be awarded, ADI will need to provide a final accounting of its pre-operating expenses (showing separately those already paid and those remaining to be paid) and provide independent third-party verification that it has sufficient funds available to cover any remaining pre-operating expenses and to provide the \$1.4 million working capital reserve.

Compliance Disposition

The applicant states that there have been no formal complaints filed against it, or orders issued finding it, its owners, its affiliates, or its key personnel in violation of the Statute; nor have any charges of unfair, deceptive or anticompetitive business practices, or of fraud, felony or antitrust violations been brought against them. ADI further states that there are no actions or outstanding judgments filed against it, its owners, its affiliates, or its key personnel with the exception of two pending ADI litigation items.⁸

We examined the Department's records and have found that during the past five years, ADI has been the subject of four FAA enforcement cases, three of which were closed with letters of correction and one with a warning letter. Our records also indicate that the carrier has been involved in only two incidents since 1997.

The FAA has indicated that the carrier's operations under Part 135 have been satisfactory. The FAA states that ADI has been cooperative in working with the FAA to obtain its Part 121 authority and that it knows of no reason why the Department should not find ADI fit for its proposed operation.

In light of the foregoing, we tentatively conclude that ADI will have the proper regard for the laws and regulations governing its service to ensure that its aircraft and personnel conform to applicable safety standards and that acceptable consumer relations practices will be followed.

CITIZENSHIP

The Statute requires that authority to engage in air transportation operations be held only by citizens of the United States as defined in 49 U.S.C. 40102(a)(15). That section specifies that the president and two-thirds of the board of directors and other managing officers be U.S. citizens and that at least 75 percent of the outstanding voting stock be owned by U.S. citizens. We have also interpreted the Statute to require that, as a factual matter, the carrier must actually be controlled by U.S. citizens.

As noted above, 75.76 percent of ADI's voting stock is currently held by Mr. Macartney, who is a U.S. citizen. The remainder of the stock is held by individuals each holding less

⁸ ADI is a party to an employment lawsuit for which it states it has meritorious defenses and expects to prevail. The carrier is also a party to an environmental lawsuit for which it has been fully indemnified by a third party.

than 10 percent ownership. All of the stockholders are U.S. citizens. ADI affirmed that each of its key management and operations personnel is a U.S. citizen and provided an affidavit attesting that it is a U.S. citizen within the meaning of 49 U.S.C 40102(a)(15). Moreover, there is nothing in the record that would lead us to conclude that ADI is controlled by non-U.S. citizens.

In view of the foregoing, we tentatively conclude that ADI is a citizen of the United States and that it is fit, willing, and able to provide the interstate and foreign charter passenger operations it proposes as a certificated air carrier.

PUBLIC CONVENIENCE AND NECESSITY

No finding of consistency with the public convenience and necessity is required for the award of authority for interstate charter air transportation of persons, property and mail under section 41102, although such a finding is required for authority to engage in foreign charter air transportation. We tentatively find that the foreign charter air transportation proposed by ADI is consistent with the public convenience and necessity. By Order 78-7-106, which instituted the *Former Large Irregular Air Service Investigation*, the Civil Aeronautics Board found that there was a continuing demand and need for additional charter air carriers. These findings remain valid and apply to the authority sought by ADI. Therefore, if ADI meets the fitness requirements of the Statute, it will receive certificates authorizing it to engage in interstate and foreign charter air transportation of persons, property and mail under section 41102.⁹

OBJECTIONS

We will give interested persons 14 days following the service date of this order to show cause why the tentative findings and conclusions made here should not be made final; answers to objections will be due within 7 days thereafter. We expect such persons to direct their objections, if any, to the applications and points at issue and to support such objections with detailed economic analyses. If an oral evidentiary hearing or discovery procedures are requested, the objector should state in detail why such a hearing or discovery is considered necessary, and what material issues of decisional fact the objector would expect to establish through a hearing or discovery that cannot be established in written pleadings. The objector should consider whether discovery procedures alone would be sufficient to resolve material issues of decisional fact. If so, the type of procedure should be specified (See Part 302, Rules 19 and 20); if not, the reasons why not should be explained. We will not entertain general, vague, or unsupported objections. If no substantive objections are filed, we will enter an order making final our tentative findings and conclusions with respect to ADI's fitness and certification.

CERTIFICATE CONDITIONS AND LIMITATIONS

If ADI is found fit and issued the certificates it seeks, its authority will not become effective until the company has fulfilled all requirements for effectiveness as set forth in the terms and conditions attached to its certificate. Among other things, this includes our

⁹ Pursuant to 49 U.S.C. 41307, issuance of foreign authority to ADI is subject to Presidential review.

receipt of evidence that ADI has been certified by the FAA to engage in the subject operations, a fully executed OST Form 6410 evidencing liability insurance coverage that meets the requirements of 14 CFR 205.5(b) for all of its aircraft, and evidence that it has available funds sufficient to cover any remaining pre-operating expenses and meet our working capital reserve requirements for the operations at issue.

Furthermore, we remind ADI of the requirements of 49 U.S.C. 41110(e). Specifically, that section requires that, once a carrier is found fit initially, it must remain fit in order to hold its authority. To be assured that certificated air carriers continue to be fit after effective authority has been issued to them, we require that they supply information describing any subsequent substantial changes they may undergo in areas affecting fitness. Should ADI propose any substantial changes in its ownership, management, or operations, it must first comply with the requirements of section 204.5 of our rules.¹⁰ The compliance of the carrier with this requirement is essential if we are to carry out our responsibilities under section 41110(e).¹¹

Our tentative findings stated above are based on the operating plan described in ADI's applications that utilizes a single large aircraft. These findings might no longer apply if the company were to substantially change the scope of its operations through the introduction of additional large aircraft. Therefore, once the applicant's certificate becomes effective, should ADI propose to acquire additional large aircraft, it must notify the Department in writing at least 45 days in advance and demonstrate its fitness for such operations prior to implementing service with those additional aircraft.¹²

¹⁰ ADI may contact our Air Carrier Fitness Division to report proposed substantial changes in its operations, ownership or management, and to determine what additional information, if any, will be required under section 204.5. Moreover, by notice dated July 21, 1998, the Department requested air carriers to provide a 30-day advance notification of any proposed change in ownership, restructuring, or recapitalization. If the carrier fails to file the information or if the information fails to demonstrate that the carrier will continue to be fit upon implementation of the substantial change, the Department may take such action as is appropriate, including enforcement action or steps to modify, suspend, or revoke the carrier's certificate authority.

¹¹ We also remind ADI about the requirements of section 204.7 of our rules. This section provides, among other things, that (1) the certificate authority granted to a company shall be revoked if the company does not commence actual flying operations under that authority within one year of the date of the Department's determination of its fitness; (2) if the company commences operations for which it was found fit and subsequently ceases such operations, it may not resume certificated operations unless its fitness has been redetermined; and (3) if the company does not resume operations within one year of its cessation, its authority shall be revoked for dormancy.

¹² ADI currently operates as an air taxi operator a number of small aircraft. We will not limit ADI's ability to add aircraft which it could operate as an air taxi under Part 298 of our rules--that is, aircraft having an original design capacity of 60 passenger seats or less. However, the addition of any aircraft considered to be large aircraft under Part 298 (that is, aircraft having an maximum original design capacity of more than 60-passenger seats, or a maximum payload capacity of more than 18,000 pounds) will require our prior approval. While ADI intends to operate its B737 with only 44-passenger seats, this aircraft's maximum original design capacity is over 60 seats and, hence, it is considered to be a large aircraft under our rules.

Finally, to aid the Department in monitoring the fitness of new carriers, we impose a special reporting requirement on all start-up carriers. Specifically, within 45 days of the end of ADI's first year of certificated operations, it should submit to the Air Carrier Fitness Division a first year progress report. The report should include a description of the carrier's current operations (number and type of aircraft, principal markets served, total number of full-time and part-time employees), a summary of how these operations have changed during the year, a discussion of any changes it anticipates from its current operations during its second year, current financial statements,¹³ and a listing of current senior management and key technical personnel. The carrier should also be prepared to meet with staff members of the Fitness Division to discuss its current and future operations.

ACCORDINGLY,

1. We direct all interested persons to show cause why we should not issue orders making final the tentative findings and conclusions stated above and award certificates to Aerodynamics, Inc., authorizing it to engage in interstate and foreign charter air transportation of persons, property and mail, subject to the attached specimen Terms, Conditions, and Limitations.
2. We direct any interested persons having objections to the issuance of orders making final any of the proposed findings, conclusions, or the certificate awards set forth here to file such objections with the Department of Transportation Dockets, 400 7th Street, S.W., PL-401, Washington, D.C. 20590, in Dockets OST-01-10985 and OST-01-10986 and serve them upon all persons listed in Attachment A no later than 14 days after the service date of this order; answers to objections shall be filed no later than 7 days thereafter.
3. If timely and properly supported objections are filed, we will accord full consideration to the matters or issues raised by the objections before we take further action.¹⁴
4. In the event that no objections are filed, we will consider all further procedural steps to be waived and we will enter orders making final our tentative findings and conclusions.
5. We dismiss, as moot, the requests of Aerodynamics, Inc., to withhold from public disclosure information submitted pursuant to Rule 12 on November 8, 2001, and February 28, 2002.
6. We will serve a copy of this order on the persons listed in Attachment A.

¹³ These financial statements should include a balance sheet as of the end of the company's first full year of actual flight operations and a twelve month income statement ending that same date.

¹⁴ Since we have provided for the filing of objections to this order, we will not entertain petitions for reconsideration.

7. We will publish a notice of this order in the Federal Register.

By:

READ C. VAN DE WATER
Assistant Secretary for Aviation
and International Affairs

(SEAL)

*An electronic version of this document is available on the World Wide Web at
<http://dms.dot.gov>*



Specimen
Terms, Conditions, and Limitations

AERODYNAMICS, INC.

is authorized to engage in interstate charter air transportation of persons, property and mail between any point in any State, territory, or possession of the United States or the District of Columbia, and any other point in any of those entities.

This authority is subject to the following provisions:

- (1) The authority to operate under this certificate will not become effective until six (business) days after the Department has received the following documents; provided, however, that the Department may stay the effectiveness of this authority at any time prior to that date:*
 - (a) A copy of the holder's Air Carrier Certificate and Operations Specifications authorizing such operations from the Federal Aviation Administration (FAA).*
 - (b) A certificate of insurance on OST Form 6410 evidencing liability insurance coverage meeting the requirements of 14 CFR 205.5(b) for all of its aircraft.*
 - (c) A statement of any changes the holder has undergone in its ownership, key personnel, operating plans, financial posture, or compliance history, since the date of the Show Cause Order in this case.*
 - (d) A revised list of pre-operating expenses already paid and those remaining to be paid, as well as independent verification that the holder has available to it funds sufficient to cover any remaining pre-operating expenses and to provide a working capital reserve equal to the operating costs that would be incurred in three months of operations.*
 - (e) A copy of the holder's Aviation Disaster Family Assistance Plan as required by 49 U.S.C. 41113 and a statement summarizing how it will collect passenger manifest information and submit it to the Department of State in the event of an aviation disaster as required under 14 CFR Part 243.*
- (2) Pending receipt of effective authority, the holder may not accept payment of any kind (i.e., cash, check, or credit card), issue tickets for the operations proposed under this certificate,*

or enter into contracts with charter operators, and any advertisement by the holder must prominently state: "This service is subject to receipt of government operating authority."

(3) The holder shall at all times conduct its operations in accordance with the regulations prescribed by the Department of Transportation for the services authorized by this certificate, and with such other reasonable terms, conditions, and limitations as the Department of Transportation may prescribe in the public interest.

(4) The holder's authority is effective only to the extent that such operations are also authorized by the FAA, and comply with all Department of Transportation requirements concerning security.

(5) The holder shall at all times remain a "Citizen of the United States" as required by 49 U.S.C. 40102(a)(15).

(6) The holder shall maintain in effect liability insurance coverage as required under 14 CFR Part 205. Failure to maintain such insurance coverage will render a certificate ineffective, and this or other failure to comply with the provisions of Subtitle VII of Title 49 of the United States Code or the Department's regulations shall be sufficient grounds to revoke this certificate.

(7) The holder is not authorized to engage in air transportation operations between points within the State of Alaska.

(8) Should the holder propose any substantial changes in its ownership, management, or operations (as that term is defined in 14 CFR 204.2(l)), it must first comply with the requirements of 14 CFR 204.5.

(9) In the event that the holder does not commence actual flying operations under this certificate within one year of the date of the Department's determination of its fitness, its authority shall be revoked for dormancy, unless the holder is conducting operations under another type of certificate authority. Further, in the event that the holder commences operations for which it was found "fit, willing, and able" and subsequently ceases all such operations, its authority under all certificates held shall be suspended under the terms of 14 CFR 204.7 and the holder may neither recommence nor advertise such operations unless its fitness to do so has been redetermined by the Department. Moreover, if the holder does not resume operations within one year of its cessation, its authority shall be revoked for dormancy.



Specimen
Terms, Conditions, and Limitations

AERODYNAMICS, INC.

is authorized to engage in foreign charter air transportation of persons, property, and mail:

Between any place in the United States and any place outside thereof.

This authority is subject to the following provisions:

(1) The authority to operate under this certificate will not become effective until six (business) days after the Department has received the following documents; provided, however, that the Department may stay the effectiveness of this authority at any time prior to that date:

(a) A copy of the holder's Air Carrier Certificate and Operations Specifications authorizing such operations from the Federal Aviation Administration (FAA).

(b) A certificate of insurance on OST Form 6410 evidencing liability insurance coverage meeting the requirements of 14 CFR 205.5(b) for all of its aircraft.

(c) A statement of any changes the holder has undergone in its ownership, key personnel, operating plans, financial posture, or compliance history, since the date of the Show Cause Order in this case.

(d) A revised list of pre-operating expenses already paid and those remaining to be paid, as well as independent verification that the holder has available to it funds sufficient to cover any remaining pre-operating expenses and to provide a working capital reserve equal to the operating costs that would be incurred in three months of operations.

(e) A copy of the holder's Aviation Disaster Family Assistance Plan as required by 49 U.S.C. 41113 and a statement summarizing how it will collect passenger manifest information and submit it to the Department of State in the event of an aviation disaster as required under 14 CFR Part 243.

(2) Pending receipt of effective authority, the holder may not accept payment of any kind (i.e., cash, check, or credit card), issue tickets for the operations proposed under this certificate,

or enter into contracts with charter operators, and any advertisement by the holder must prominently state: "This service is subject to receipt of government operating authority."

(3) The holder shall at all times conduct its operations in accordance with the regulations prescribed by the Department of Transportation for the services authorized by this certificate, and with such other reasonable terms, conditions, and limitations as the Department of Transportation may prescribe in the public interest.

(4) The holder shall at all times conduct its operations in accordance with all treaties and agreements between the United States and other countries, and the exercise of the privileges granted by this certificate is subject to compliance with such treaties and agreements and with any orders of the Department of Transportation issued under them or for the purpose of requiring compliance with them.

(5) The exercise of the authority granted here is subject to the holder's first obtaining from the appropriate foreign governments such operating rights as may be necessary.

(6) The holder's authority is effective only to the extent that such operations are also authorized by the FAA, and comply with all Department of Transportation requirements concerning security.

(7) The holder shall at all times remain a "Citizen of the United States" as required by 49 U.S.C. 40102(a)(15).

(8) The holder shall maintain in effect liability insurance coverage as required under 14 CFR Part 205. Failure to maintain such insurance coverage will render a certificate ineffective, and this or other failure to comply with the provisions of Subtitle VII of Title 49 of the United States Code or the Department's regulations shall be sufficient grounds to revoke this certificate.

(9) Should the holder propose any substantial changes in its ownership, management, or operations (as that term is defined in 14 CFR 204.2(l)), it must first comply with the requirements of 14 CFR 204.5.

(10) In the event that the holder does not commence actual flying operations under this certificate within one year of the date of the Department's determination of its fitness, its authority shall be revoked for dormancy, unless the holder is conducting operations under another type of certificate authority. Further, in the event that the holder commences operations for which it was found "fit, willing, and able" and subsequently ceases all such operations, its authority under all certificates held shall be suspended under the terms of 14 CFR 204.7 and the holder may neither recommence nor advertise such operations unless its

fitness to do so has been redetermined by the Department. Moreover, if the holder does not resume operations within one year of its cessation, its authority shall be revoked for dormancy.

SERVICE LIST FOR AERODYNAMICS, INC.

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